

UTILITY SERVICE OBLIGATIONS WORKING GROUP: ADOPTED CONSENSUS ITEMS
AND “STRAWMAN” CONSENSUS SUGGESTIONS AND QUESTIONS

<u>Question</u>	<u>Suggested Consensus Items</u>	<u>Adopted Consensus Items</u>	<u>Suggested Discussion Topics</u>
Definitions		<p>The group defined the term “default service” to be interim supply service that is meant to compensate the utility and provide the customer with a short timeframe to review and choose alternative supply options.</p> <p>The group defined “standard offer service” to mean bundled service under the current Public Utilities Act.</p> <p>For the group’s definition of “Provider of Last Resort” (“POLR”), please see the attached document entitled “Definition(s) of Provider of Last Resort (“POLR”) services/products for use in the USOWG.”</p>	
80) What should be the nature of utilities’ regulated load serving obligations after		The USOWG reached consensus that the current PUA requires electric utilities to	

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2006? Should there continue to be any obligation for the utility to offer a regulated commodity or “POLR” product? If so, to which customer classes? And, if so, should it be offered on a bundled or unbundled basis?		<p>provide a regulated (bundled) product to residential and small commercial customers (15,000 kwh or less per annum) and under the conditions described in the Act to all other non-residential customers, and that these obligations remain past the expiration of the mandatory transition period. Specifically, the USOWG recognized that the current PUA places certain load-serving obligations on electric utilities to serve all residential and small commercial customers as well as non-residential customers to the extent their service has not been declared competitive or abandoned.</p> <p>At least for residential and small commercial customers, the USOWG reached consensus that the law should continue to impose a load serving obligation for the foreseeable future. Current law places this obligation on the incumbent utility and no utility is seeking</p>	

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		<p>to change this obligation. However, in the event that this obligation is placed on an entity other than the incumbent utility, that entity should be regulated as a utility under the law.</p> <p>The USOWG reached consensus that a regulated product should continue to be offered to residential customers, small commercial customers and non-residential customers whose service has not been declared competitive or abandoned. The group could not reach consensus as to which entity (the incumbent utility or a qualified third party) should provide the regulated product to these customer classes.</p> <p>The USOWG could not reach consensus on what product(s) (other than delivery service and RTP rates, as required by the Act), if any, should be offered by incumbent utilities to commercial and industrial classes whose service has been</p>	

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		<p>declared competitive or abandoned. The USOWG could not reach consensus regarding whether electric utilities (or any other entity) were or should be statutorily required to offer any product to competitive or abandoned commercial and industrial customers other than delivery service and RTP rates, as required by the Act. The USOWG members who believed that a regulated product should be offered to the aforementioned customers could not agree on the type of product (regulated / bundled/ unbundled / market-based) that should be offered.</p> <p>The USOWG reached consensus that, in restructured markets, the utility is generally the regulated provider of the generation commodity, although competitive auctions have been established in some jurisdictions to determine what entity should provide this service. If the utility is designated to provide</p>	

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		the aforementioned service, it can do so via its own particular blend of assets, via competitive procurement, or some combination of operated and contracted sources (all as constrained by law).	
81) What if the incumbent does not wish to retain the default service responsibility? Is an alternative arrangement feasible, given the incumbent's distribution monopoly and obligation to operate the system reliably (even if there are supply imbalances)?		For purposes of this working group, the USOWG defined "default service" to be interim supply service (ComEd's current Rider ISS is an example of this type of service), but does not include SOS or any other type or kind of similar service. The USOWG agreed that "default service is meant to compensate the utility and provide the customer with a short timeframe to review and choose alternative supply options. The incumbent utility will retain the bundled service responsibility specified in the Act unless the law is amended. The Illinois incumbent electric utilities, as represented in the USOWG, indicated that they do not wish to change their default service responsibilities that are	

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		<p>(statutorily mandated or optional) at this time. Other USOWG parties indicated that they would like to see the default service responsibility of the utilities clarified and affirmed. There are a variety of ways (i.e. product offerings) in which a utility can meet its responsibilities.</p> <p>However, should a change in the PUA and attendant responsibilities be sought, the USOWG achieved consensus that an alternative arrangement may be feasible. It is possible for the default service obligations to reside with an entity other than the current incumbent utility, although this working group makes no recommendation as to the feasibility of any particular alternative scenario. While the USOWG reached no consensus on whether the current PUA permits an entity (other than the current incumbent electric utility) to be statutorily assigned</p>	

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		<p>a default service obligation, the USOWG did conclude that such an alternative arrangement is possible if the PUA is amended. The USOWG working group did not reach any consensus on the various options for the default service responsibility that may be available and their feasibility. This is not intended to preclude (or to specifically encourage) consideration of the potential for a third-party, who is willing and able to do so, to be statutorily obligated to take on all or part of the default service responsibility.</p> <p>It is unclear what the language in Question 81's parenthetical meant; as a general matter, however, the issue of supply imbalances is better left to other working groups.</p>	
83) Regulation of rates for tariffed electric service has traditionally been on a cost-of-service basis. Only the telecommunications markets, with mandated retail		The USOWG was unable to reach consensus on whether or not the criteria discussed in the PUA for determining if a service is competitive are sufficient. The USOWG was	

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competition structures, have been deemed sufficiently competitive for price cap regulation. What criteria will be used to determine the sufficiency of competition?		also unable to reach consensus as to what criteria will be used to determine the sufficiency of competition.	
84) Should utilities offer services at long-term (a year or longer) fixed prices? Or should at least the power and energy prices vary with the market? If the latter, what is the appropriate time step for adjusting the price? [Resolution of this issue will depend upon resolution of issues in procurement group]		To the extent that utilities have any obligation to offer power and energy service, utilities should offer services that strive for price stability for the power and energy component, at least for residential and small commercial and industrial customers who either have no alternative provider option or do not wish to take service from an alternative provider. For these classes of customers, prices should not change frequently and consideration should be given to longer-terms between price adjustments (for example: seasonal or annual pricing). Stability will be dependent upon the final procurement methodology and rate design. Parties could not reach consensus on whether or not such price stability should be	

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		provided to large commercial and industrial customers. This response should be construed to be fully consistent with the Rates WG response to 33A. This answer only contemplates price stability and did not include consideration of other factors such as retail competition or energy efficiency.	
85) Should different POLR choices be offered to different classes of customers? [Should the POLR options for large customers have the effect of promoting competitive markets?]		<p>The acronym “POLR” should not be used in reference to services provided to residential and small business customers (as defined in the Act). The USOWG recommends that definitions going forward should be consistent with the above statement. POLR should not be used as synonymous with SOS for the aforementioned customers.</p> <p>The USOWG reached consensus that, under the current law, residential and smaller non-residential classes (15,000 kWh per annum or less) and larger non-residential</p>	

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		<p>customers whose service has not been declared competitive have different utility service options from large non-residential customers whose service has been declared competitive. It is also the consensus of the group that utility service obligations to nonresidential customers whose base rate service has been declared competitive are limited to RTP rates (as provided by the current statute) and delivery service.</p> <p>The USOWG could not reach consensus as to whether or not the current Statute should be changed to entitle commercial and industrial customers whose services have been declared competitive and/or abandoned to some type of POLR/Standard Offer Service (whether offered by the utility or a third party). Standard offer or POLR service options for commercial and industrial customers should not detract from the promotion of competitive markets. The</p>	

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		<p>USOWG could not reach consensus as to whether SOS/POLR service options for C&I should promote competition</p> <p>Standard offer and/or POLR service offerings should provide reasonable cost service, ensure that the utility obtains proper cost recovery and compensation, including compensation for risk assumed, and avoid undue administrative complexity.</p> <p>The USOWG recognized that there are various alternatives that could be implemented under the current Act.</p> <p>Real time pricing may not be the only appropriate default/standard offer/POLR service if a customer fails to select an alternative option. A fixed price product (monthly/annual/multi year) may be appropriate as well.</p> <p>There are different service</p>	

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		options for customers for whom service has been declared competitive or abandoned as compared to other customers for whom there has been no competitive declaration or abandonment.	
86) Should POLR offerings be uniform by customer class across the state? If utilities are in different situations with respect to RTOs and organized markets, should that affect the POLR choice?		<p>Retail competition has evolved at differing paces for different customer classes in different portions of the State</p> <p>The USOWG did not reach consensus on whether POLR offerings should be uniform by customer class across the state.</p> <p>Utility offerings should reflect different utility situations related to RTOs and organized markets to the extent that those situations affect the ability to provide such service.</p>	
87) If utilities offer a fixed price commodity POLR offering, how should the price be set? What role should the ICC have in overseeing the supply arrangements that the utility		If utilities offer a fixed price commodity POLR offering, the price should be set based on the cost of the product being provided, including the full cost to provide power and energy.	

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enters into to provide supply for such a service offering?		<p>The FERC has jurisdiction over wholesale power transactions.</p> <p>The ICC has jurisdiction over retail rates.</p> <p>Processes used to procure power and energy should be prudent, reasonable, fair, transparent and equitable, and consistent with ICC authority and state law. The ICC should try to assure that the process produces reliable supply, encourage adequate development of future resources, and does not inhibit the development of wholesale markets.</p> <p>A variety of processes can be used to prudently and reasonably procure power and energy.</p>	
88) If utilities offer a variable price commodity POLR offering, how should the price be set? What role should the ICC have in overseeing the supply arrangements that the utility		<p>[see above on ICC oversight]</p> <p>The price of this product should reflect the cost of delivery service and any other prudent and reasonable costs associated with providing the service.</p>	

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enters into for such a service? In particular, under a variable POLR pricing policy, should the ICC set requirements for how much the utility can and should rely on the shorter term market to provide such resources?		<p>No specific numerical limitation should be placed on reliance of short-term markets for purposes of prudent and reasonable power and energy procurement.</p> <p>The USOWG did not intend to imply by this answer that variable price commodity service is the only means of providing POLR service however defined.</p>	
89) What are the circumstances under which PPO must be offered subsequent to the end of the mandatory transition period? How should Sec. 16-110 provisions be implemented by the utilities that are required to offer PPO service after 2006?		The service obligation chart summarizes PPO obligations under current law.	